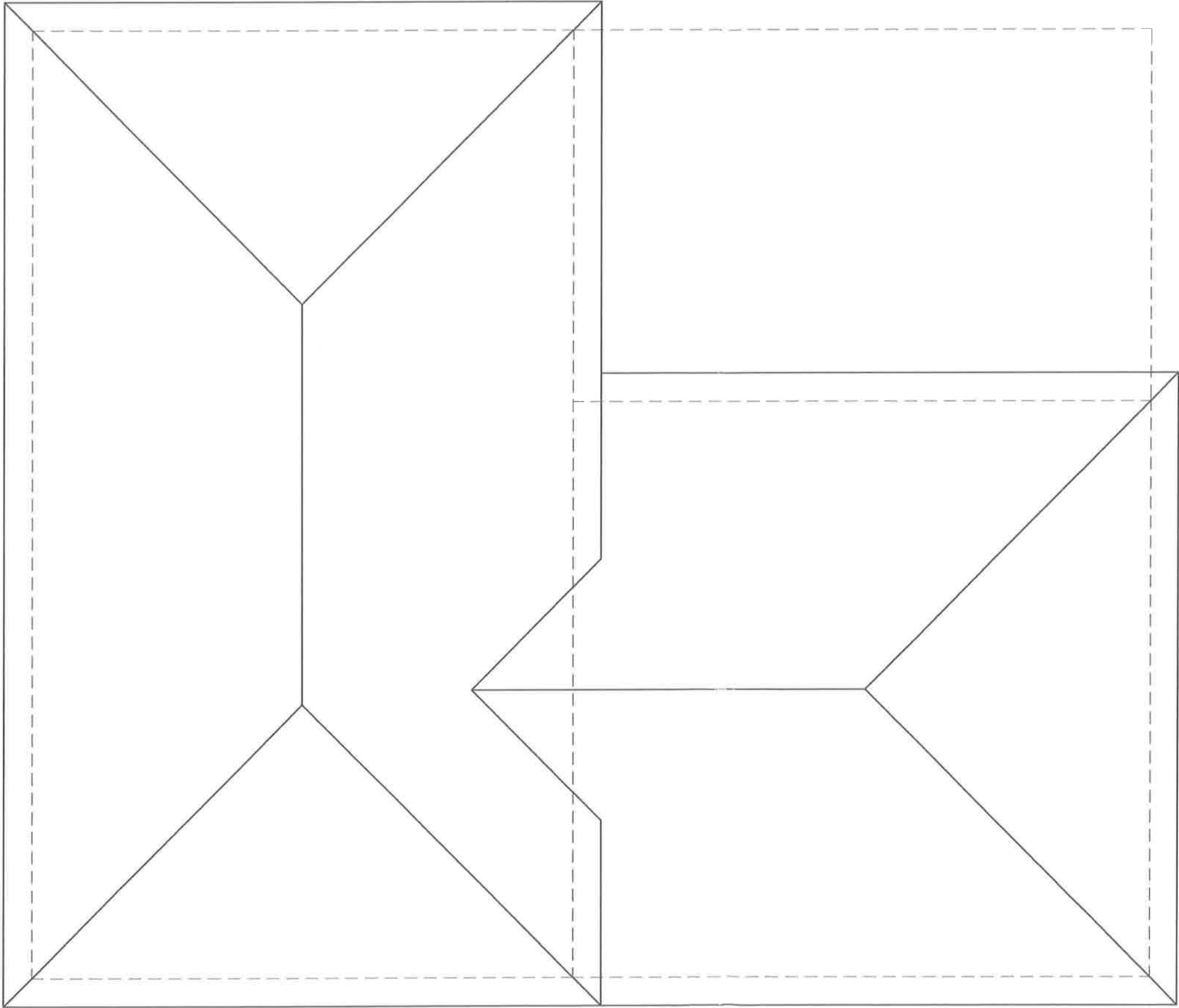


Plot Date: 12/27/2012 10:48:31 AM

P:\08\0210\DWG\CASTLEWOODWTP_NEWWTPPLAN.DWG



ALTERNATIVE #2 - NEW WTP AT CASTELWOOD
SCALE 1/8"=1'-0"

2012 WATER SYSTEM
IMPROVEMENTS
SIOUX RURAL WATER SYSTEM
WATERTOWN, SOUTH DAKOTA

ROOF PLAN

Num	Revision	Date

DER

DeWitt Grant Reckart and Associates Company
Consulting Engineers and Land Surveyors
Rack Rapids, IA - Sioux City, IA - Sioux Falls, SD

Project Manager: Devin Schriever | Designer: Justin Groen

Phone: (712) 472-2531

FIGURES

Figure 1a
Annual Water Pumped and Sold

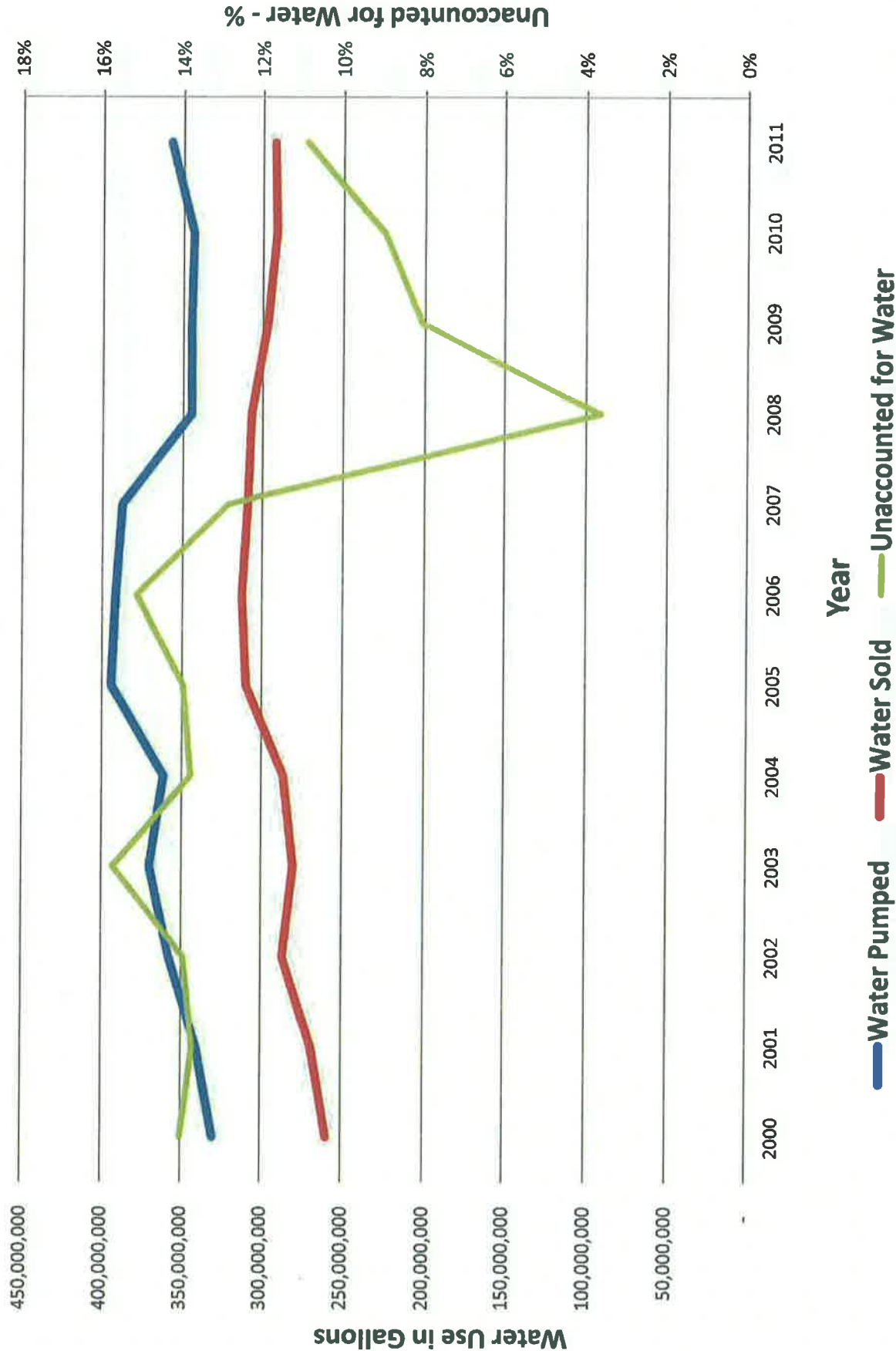


Figure 1b
Annual Water Pumped and Sold

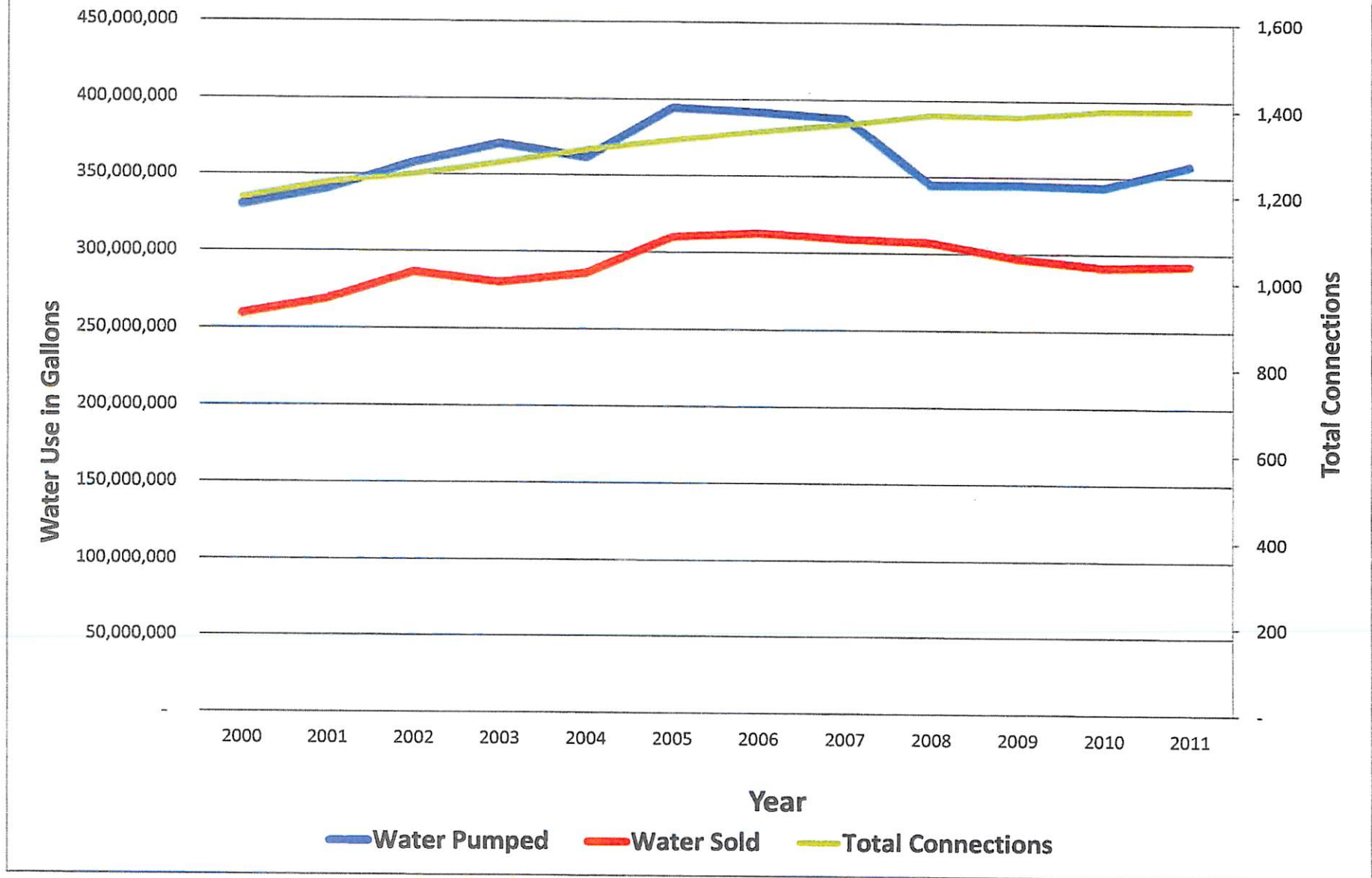


Figure 2
% Increase in Connections Since 2000

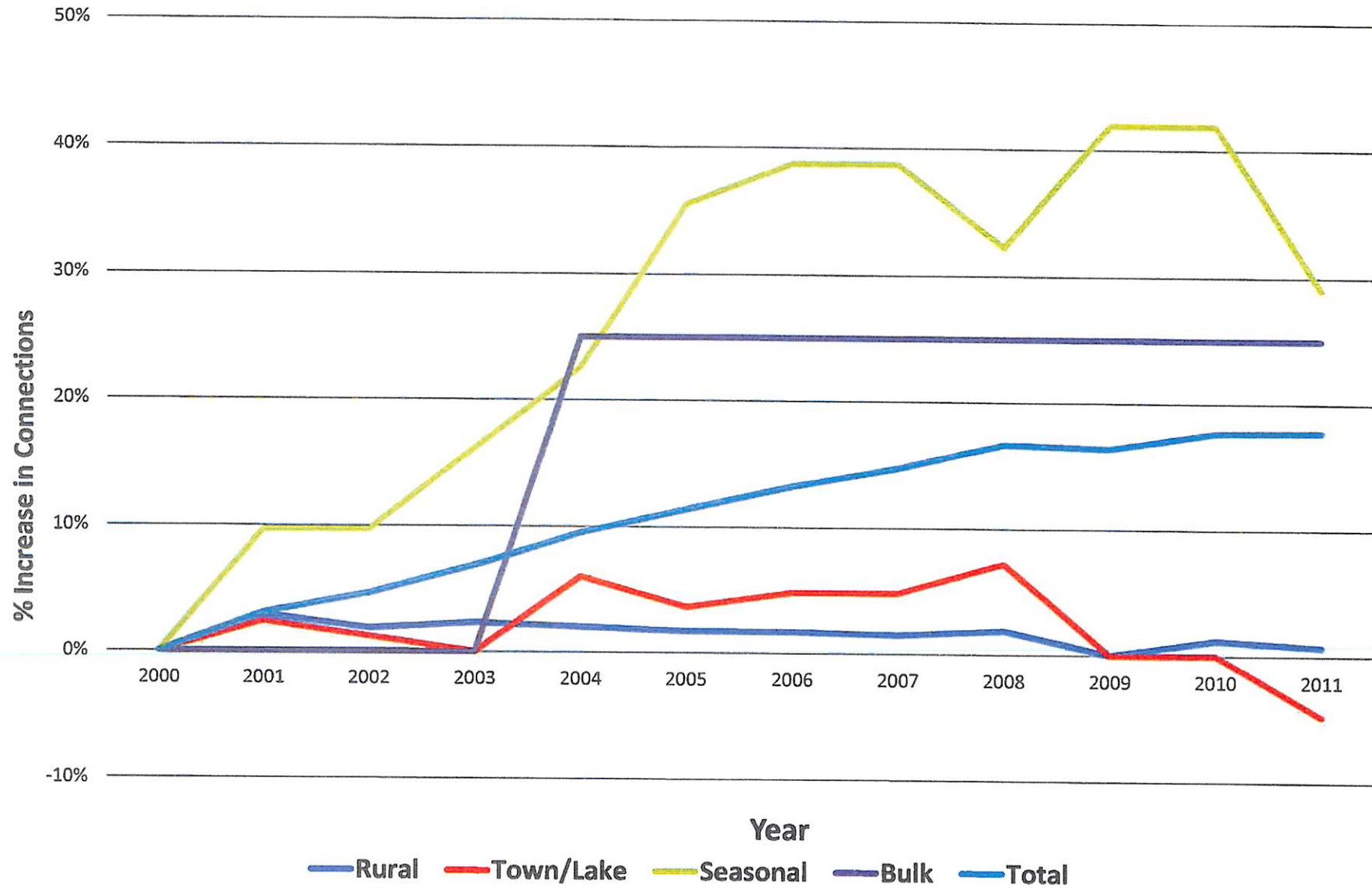


Figure 3
WATER USAGE - CASTLEWOOD WTP

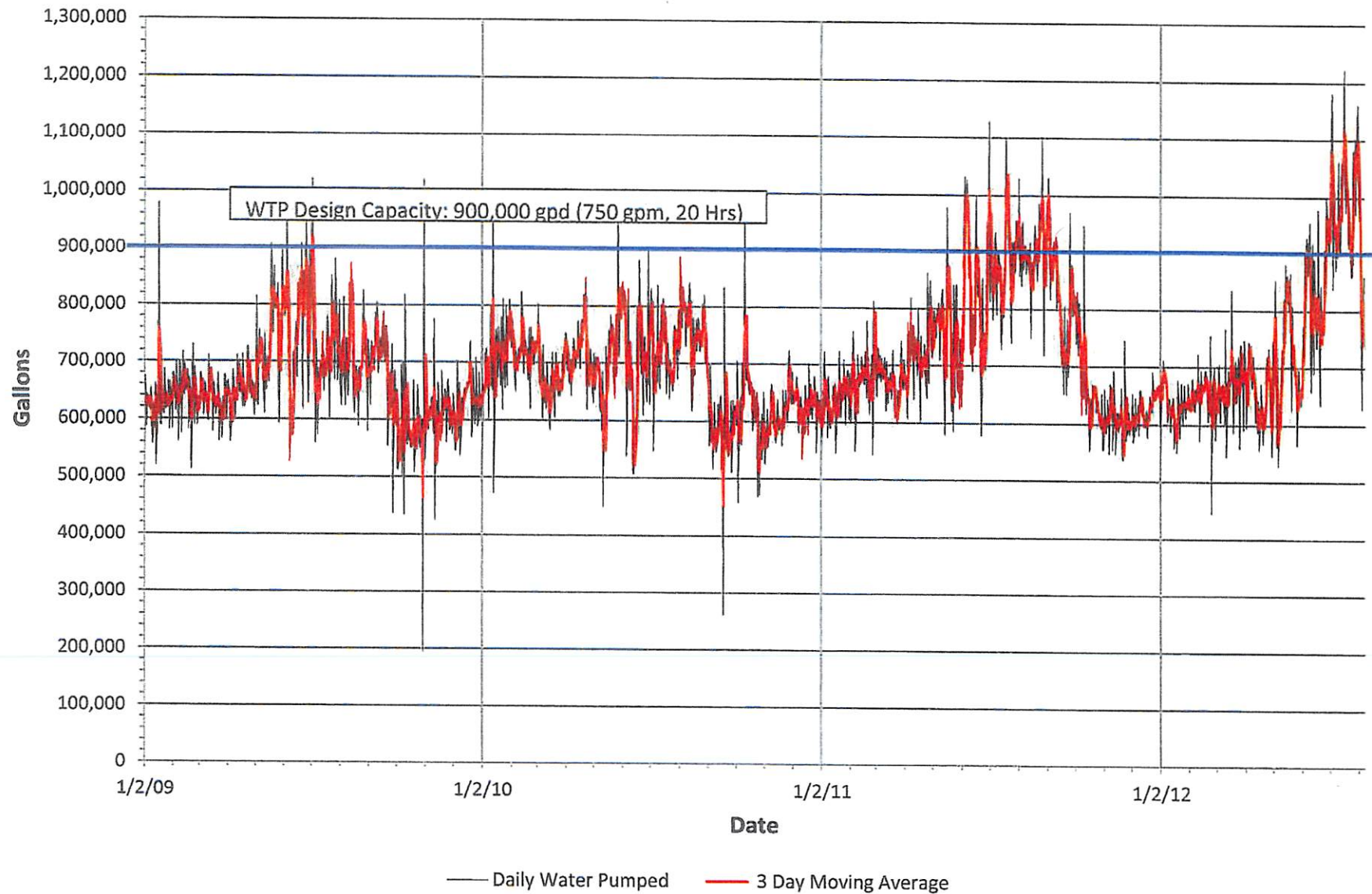
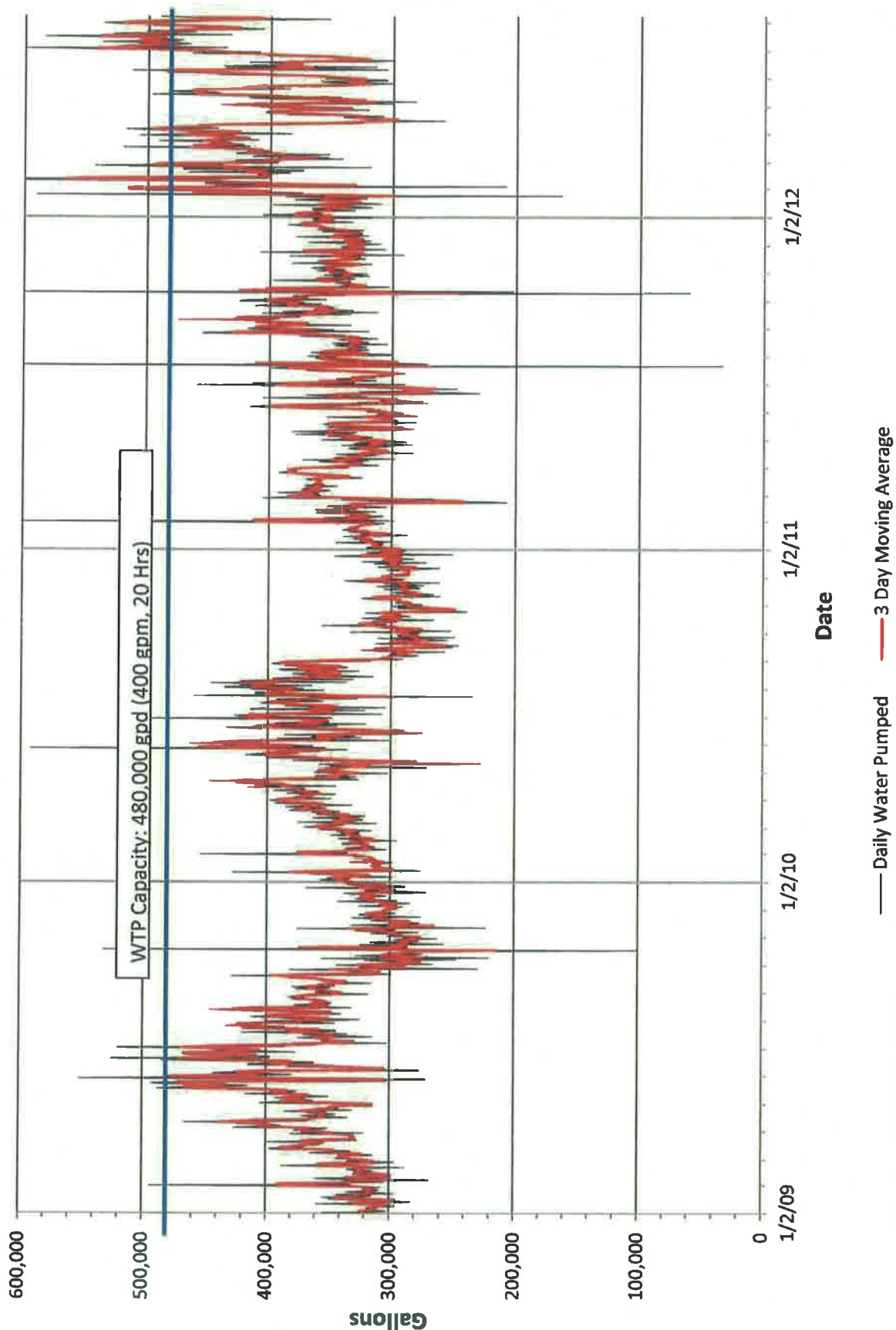


Figure 4
WATER USAGE - SIOUX WTP



TABLES

Table 1
Population Data

	1990	2009	Growth	Growth/yr.	%Growth/yr.
Codington County	22,793	26,248	3,455	182	0.8%
Incorporated Cities					
Florence	193	289	96	5	2.6%
Henry	216	251	35	2	0.9%
Kranzburg*	132	178	46	2	1.8%
South Shore	261	252	(9)	(0)	-0.2%
Wallace	83	83	-	-	0.0%
Watertown	17,864	20,350	2,486	131	0.7%
Total - Incorporated	18,749	21,403	2,654	140	0.7%
Rural and Unincorporated	4,044	4,845	801	42	1.0%
Unincorporated: Appleby, Grover, Kampeska, Rauville, Waverly					
Hamlin County	4,969	5,737	768	40	0.8%
Incorporated Cities					
Bryant*	373	376	3	0	0.0%
Castlewood*	567	684	117	6	1.1%
Estelline*	657	668	11	1	0.1%
Hayti*	371	375	4	0	0.1%
Hazel*	103	109	6	0	0.3%
Lake Norden	426	424	(2)	(0)	0.0%
Total - Incorporated	2,497	2,636	139	7	0.3%
Rural and Unincorporated	2,472	3,101	629	33	1.3%
Unincorporated: Dempster, Thomas					
Total - Both Counties	27,762	31,985	4,223	222	0.8%
Rural and Unincorporated	6,516	7,946	1,430	75	1.2%
* Communities Served	2,203	2,390	187	10	0.4%

Table 2
Annual Water Pumped and Sold in Gallons

Year	Produced	Sold	Loss	Adjustment	Unaccoun.	Unaccoun. %
2000	330,104,000	259,331,000	70,773,000	24,492,740	46,280,260	14%
2001	340,505,833	268,972,000	71,533,833	24,835,777	46,698,056	14%
2002	357,840,000	286,609,000	71,231,000	21,283,560	49,947,440	14%
2003	370,152,000	280,086,000	90,066,000	31,845,000	58,221,000	16%
2004	361,340,000	286,214,000	75,126,000	25,329,720	49,796,280	14%
2005	394,425,000	309,889,000	84,536,000	29,406,900	55,129,100	14%
2006	391,880,500	312,640,000	79,240,500	19,857,409	59,383,091	15%
2007	387,761,000	309,131,000	78,630,000	28,807,500	49,822,500	13%
2008	344,654,000	306,854,000	37,800,000	25,259,140	12,540,860	4%
2009	344,909,000	296,992,000	47,917,000	20,083,120	27,833,880	8%
2010	343,487,000	291,381,000	52,106,000	21,170,420	30,935,580	9%
2011	357,660,000	292,487,000	65,173,000	26,129,400	39,043,600	11%

12/17/2012

Table 3
Number of Customers by User Group

Year	Rural	Town/Lake	Seasonal	Bulk	Total
2000	1,072	83	31	4	1,190
2001	1,103	85	34	4	1,226
2002	1,123	84	34	4	1,245
2003	1,149	83	36	4	1,272
2004	1,172	88	38	5	1,303
2005	1,192	86	42	5	1,325
2006	1,212	87	43	5	1,347
2007	1,230	87	43	5	1,365
2008	1,253	89	41	5	1,388
2009	1,253	83	44	5	1,385
2010	1,268	83	44	5	1,400
2011	1,277	79	40	5	1,401

Table 4
Annual Water Sold in Gallons by User Group

Year	Annual Water Sold				Average Water Sold Per Connection per Month					
	Rural	Town/Lake	Seasonal	Bulk	Total	Rural	Town/Lake	Seasonal	Bulk	Total
2000	203,832,000	5,665,000	335,000	49,499,000	259,331,000	15,845	5,688	901	1,031,229	18,160
2001	220,436,000	5,568,000	1,118,000	41,850,000	268,972,000	16,654	5,459	2,740	871,875	18,282
2002	234,857,000	5,247,000	1,566,000	38,416,000	280,086,000	17,428	5,205	3,838	800,333	18,747
2003	234,857,000	5,247,000	1,566,000	38,416,000	280,086,000	17,033	5,268	3,625	800,333	18,349
2004	242,070,000	5,086,000	1,961,000	37,097,000	286,214,000	17,212	4,816	4,300	618,283	18,305
2005	261,098,000	5,663,000	3,891,000	39,237,000	309,889,000	18,253	5,487	7,720	653,950	19,490
2006	265,365,000	6,028,000	3,684,000	37,563,000	312,640,000	18,246	5,774	7,140	626,050	19,342
2007	263,996,000	5,862,000	3,394,000	35,879,000	309,131,000	17,886	5,615	6,578	597,983	18,872
2008	262,075,000	5,185,000	2,548,000	37,046,000	306,854,000	17,430	4,855	5,179	617,433	18,423
2009	249,450,000	4,917,000	2,300,000	40,325,000	296,992,000	16,590	4,937	4,356	672,083	17,870
2010	247,147,000	4,162,000	2,043,000	38,029,000	291,381,000	16,243	4,179	3,869	633,817	17,344
2011	247,813,000	3,952,000	2,719,000	38,003,000	292,487,000	16,172	4,169	5,665	633,383	17,398

Table 5
Average and Peak Day Water Use

Year	Castlewood WTP			Sioux WTP			Total of Both Plants		
	Average Day	Peak Day	Ratio	Average Day	Peak Day	Ratio	Average Day	Peak Day	Ratio
2009	669,962	921,667	1.38	347,588	480,333	1.38	1,017,549	1,391,000	1.37
2010	681,250	833,333	1.22	336,770	455,667	1.35	1,018,020	1,288,000	1.27
2011	735,434	1,036,000	1.41	341,826	431,000	1.26	1,077,260	1,422,000	1.32
2012	739,575	1,113,000	1.50	412,823	568,333	1.38	1,152,398	1,650,667	1.43

Table 6
Water Storage

Location	Type	Capacity
Sioux WTP	above grade steel (Aquastore)	338,000
Sioux WTP	below grade concrete	30,000
Castlewood WTP	above grade steel (Aquastore)	425,000
Castlewood WTP	above grade steel (Aquastore)	238,000
Kones	above grade steel (Aquastore)	154,000
Hayti	below grade concrete	30,000
Krause	above grade steel (Aquastore)	283,000
Krause	above grade steel (Aquastore)	158,000
Tower A	elevated	50,000
Tower B	elevated	50,000
Tower E	elevated	50,000
Tower F	elevated	50,000
Tower G	elevated	50,000
		<hr/> <hr/> 1,906,000

Table 7
AMR System

Item	Units	Unit Price	Extension
Meter Body Replacement	1,200	\$ 150.00	\$ 180,000
Meter Radio Heads	1,500	\$ 145.00	\$ 217,500
Master Meters and Radio Heads	26	\$ 2,750.00	\$ 71,500
AMR Radio Towers - Base	3	\$ 40,000.00	\$ 120,000
AMR Radio Boosters	2	\$ 3,500.00	\$ 7,000
AMR Mobile Programming Equip.	1	\$ 6,000.00	\$ 6,000
AMR Base Equip. & Software	1	\$ 30,000.00	\$ 30,000
AMR Business Software	1	\$ 43,000.00	\$ 43,000
AMR Computer Upgrades	1	\$ 12,000.00	\$ 12,000
Total Estimated Construction Cost			\$ 687,000

Table 8
Distribution and Pumping System Improvements

Item	Units	Unit Price	Extension
DISTRIBUTION IMPROVEMENTS			
Northwest Area			
8" CL160 PVC Pipeline	42,400	\$ 8.00	\$ 339,200
4" CL160 PVC Pipeline	9,000	\$ 3.55	\$ 31,950
Valves, crossings & misc.		40%	\$ 148,000
PRV and Tie	1	\$ 12,000	\$ 12,000
North of Booster H			
6" CL160 PVC Pipeline	10,600	\$ 5.50	\$ 58,300
Valves, crossings & misc.		40%	\$ 23,000
East of Watertown			
6" CL160 PVC Pipeline	10,600	\$ 5.50	\$ 58,300
6" CL200 PVC Pipeline	10,600	\$ 6.30	\$ 66,780
Valves, crossings & misc.		40%	\$ 85,000
Miscellaneous Locations			
6" CL160 PVC Pipeline	5,300	\$ 5.50	\$ 29,150
6" CL250 PVC Pipeline	7,950	\$ 7.30	\$ 58,035
3" CL160 PVC Pipeline	13,250	\$ 2.90	\$ 38,425
Valves, crossings & misc.		40%	\$ 50,000
Total Estimated Distribution Construction Cost			\$ 998,000
PUMPING IMPROVEMENTS			
Booster H - backup pump, pump replacement		\$	40,000
Booster D - control modifications		\$	10,000
Hayti - backup pump		\$	20,000
Booster C - backup pump		\$	90,000
Kones Booster - backup pump		\$	20,000
Sioux WTP - replace pump #1 with larger pump		\$	70,000
Total Estimated Pumping Improvements Construction Cost			\$ 250,000

Table 9
Well Field Improvements

Item	Units	Unit Price	Extension
Well Construction	2	45,000	90,000.00
Pumps and Controls	2	40,000	80,000.00
Replace Pumps in Sioux Wells	4	8,000	32,000.00
Connecting Pipelines	5,300	12	63,600.00
Misc. Items			50,000.00
Total Estimated Construction Cost			\$ 226,000

Table 10
WTP Improvements

Item	Cost
Alternative #1 - Expand Both Plants	
Sioux WTP Expansion	
Additional Detention Capacity	\$ 176,000
Additional Filtration Capacity	\$ 385,000
Existing Filter Media Replacement	\$ 14,000
Chemical Feed Improvements	\$ 4,400
Process Piping	\$ 110,000
Electrical and Controls	\$ 66,000
Castlewood WTP Expansion	
Additional Aeration Capacity	\$ 99,000
Additional Detention Capacity	\$ 264,000
Additional Filtration Capacity	\$ 577,500
Existing Filter Media Replacement	\$ 20,000
Transfer Pumps	\$ 82,500
Chemical Feed Improvements	\$ 6,600
Process Piping	\$ 165,000
Site Piping	\$ 15,000
Electrical and Controls	\$ 99,000
Alternative #1 Construction Cost	\$ 2,084,000
Alternative #2 - New Castlewood Plant	
Aeration	\$ 77,500
Detention	\$ 310,000
Filtration	\$ 1,356,250
Clearwell	\$ 155,000
High Service and Transfer Pumps	\$ 310,000
Chemical Feed Improvements	\$ 77,500
Existing Filter Media Replacement (current Castlewood WTP)	\$ 20,000
Process Piping	\$ 387,500
Office/Lab	\$ 77,500
Electrical and Controls	\$ 310,000
Alternative #2 Construction Cost	\$ 3,081,250

Table 11
Life Cycle Cost Comparison

Item	Alternative #1	Alternative #2
Construction Cost	\$ 2,084,000	\$ 3,081,250
Annual Debt Service (2.75%, 40 yrs.)	\$ 86,552	\$ 127,969
Annual O&M Cost Savings:		
Eliminate raw water main pigging (once per 3 yrs., 96 manhours @ \$30/hr.)		\$ (960)
Reduce operator travel and travel time (16 miles/day @ \$0.555/mi., 0.5 hr./day @ \$30/hr.)		\$ (8,716)
Reduced filter media replacement (once per 15 yrs. @ \$60,000, 10% savings)		\$ (400)
Total Life Cycle Cost	\$ 86,552	\$ 117,893

Table 12
Proposed Project

Item	Cost
Estimated Construction Costs	
AMR System (FUTURE)	\$ -
Distribution System Improvements	\$ 998,000
Pumping Improvements (BY OWNER)	\$ -
Well Field Improvements	\$ 226,000
WTP Improvements - Alternative #1	\$ 2,084,000
Contingencies - 15%	\$ 496,000
	<hr/>
Total Estimated Construction Cost	\$ 3,804,000
Estimated Non-Construction Costs	
Engineering	
Preliminary and Planning	\$ 120,000
Hydraulic Modeling	\$ 30,000
System Mapping	\$ 70,000
Preliminary Engineering Report	\$ 33,000
Environmental Review	\$ 22,000
Engineering Design	\$ 285,000
Construction Administration	\$ 171,000
Resident Project Representative - Engineer	\$ 95,000
Resident Project Representative - Owner	\$ 57,000
Administrative and Legal	\$ 57,000
Estimated Sales Tax on Professional Services (4%)	\$ 35,000
Land and Rights of Way	\$ 75,000
	<hr/>
Total Estimated Non-Construction Costs	\$ 1,050,000
	<hr/>
Total Estimated Project Cost	\$ 4,854,000

Table 13
Operating Budget

Item	Current Budget	Changes	% Change	Proposed Budget
<u>OPERATING INCOME</u>				
Rural Sales	\$ 1,299,000	\$ 233,820	18.0%	\$ 1,532,820
Small Town and Lake Homes	\$ 43,000	\$ 7,740	18.0%	\$ 50,740
Seasonal	\$ 18,000	\$ 3,240	18.0%	\$ 21,240
Bulk Purchasers	\$ 99,000	\$ 17,820	18.0%	\$ 116,820
Interest & Miscellaneous	\$ 85,000	\$ -	0.0%	\$ 85,000
Hoopup Fees	\$ 2,500	\$ -	0.0%	\$ 2,500
Total Operating Income	\$ 1,547,000	\$ 260,000	16.8%	\$ 1,809,000
<u>OPERATING EXPENSES - ADMINISTRATION</u>				
Salary, Wages, Benefits	\$ 98,000	\$ -	0.0%	\$ 98,000
Transportation	\$ 7,000	\$ -	0.0%	\$ 7,000
System Insurance	\$ 90,000	\$ -	0.0%	\$ 90,000
Utilities	\$ 6,000	\$ -	0.0%	\$ 6,000
Professional Fees	\$ 11,000	\$ -	0.0%	\$ 11,000
Directors Fees and Expenses	\$ 25,000	\$ -	0.0%	\$ 25,000
Audit	\$ 5,900	\$ -	0.0%	\$ 5,900
State Association Dues	\$ 7,500	\$ -	0.0%	\$ 7,500
Uncollectable Accounts	\$ 1,500	\$ -	0.0%	\$ 1,500
Miscellaneous	\$ 22,000	\$ -	0.0%	\$ 22,000
Subtotal - Administration	\$ 273,900	\$ -	0.0%	\$ 273,900
<u>OPERATING EXPENSES - OFFICE</u>				
Salary, Wages, Benefits	\$ 88,000	\$ -	0.0%	\$ 88,000
Transportation	\$ 1,500	\$ -	0.0%	\$ 1,500
Contracted Services	\$ 7,500	\$ -	0.0%	\$ 7,500
Office Supplies & Materials	\$ 5,000	\$ -	0.0%	\$ 5,000
Utilities	\$ 6,000	\$ -	0.0%	\$ 6,000
Miscellaneous	\$ 12,000	\$ -	0.0%	\$ 12,000
Subtotal - Office	\$ 120,000	\$ -	0.0%	\$ 120,000
Total Administrative	\$ 393,900	\$ -	0.0%	\$ 393,900
<u>OPERATIONAL</u>				
Salary, Wages, Benefits	\$ 197,000	\$ -	0.0%	\$ 197,000
Transportation	\$ 40,000	\$ -	0.0%	\$ 40,000
O&M Distribution	\$ 87,000	\$ -	0.0%	\$ 87,000
O&M Plant	\$ 175,000	\$ -	0.0%	\$ 175,000
Contracted Maintenance	\$ 7,000	\$ -	0.0%	\$ 7,000
Utilities	\$ 112,000	\$ -	0.0%	\$ 112,000
Total Operational	\$ 618,000	\$ -	0.0%	\$ 618,000
Capital Improvements	\$ 10,000	\$ -	0.0%	\$ 10,000
Loan Payments - RUS	\$ 421,584	\$ 201,594	47.8%	\$ 623,178
Reserve - RUS	\$ 34,826	\$ 20,159	57.9%	\$ 54,985
Funded Depretiation - RUS	\$ 30,471	\$ 10,000	32.8%	\$ 40,471
TOTAL EXPENSES	\$ 1,509,000	\$ 232,000	15.4%	\$ 1,741,000
NET INCOME (LOSS)	\$ 38,000	\$ 28,000	73.7%	\$ 68,000

Table 14
Change in Funded Depreciation

Federal Discount Rate (Appendix C of OMB Circular A-94)					
	3 year	1.6%			
	5 year	2.1%			
	7 year	2.5%			
	10 year	2.8%			
	20 year	3.5%			
	30 year	3.8%			
Inflation Rate					
		2.2%			
Short Term Depreciation Items Added					
	Base Value	Anticipate d Life - Yrs.	Replacement Cost	PV of Replacement Cost	Annualized PV of Replacement
Wells - 2 @ \$45,000 ea.	\$ 90,000	30	\$ 173,000	\$ 57,000	\$3,217
Well Pumps and Controls - 2 @ \$40,000 ea.	\$ 80,000	20	\$ 124,000	\$ 62,000	\$4,362
High Service and Booster Pumps	\$ 40,000	20	\$ 62,000	\$ 31,000	\$2,181
Totals	\$ 210,000		\$ 359,000	\$ 150,000	\$10,000

**APPENDIX A
POPULATION DATA**

Title: Resident Population in Hamlin County, SD
 Series ID: SDHAML7POP
 Source: U.S. Department of Commerce: Census Bureau
 Release: Annual Estimates of the Population for Counties (Not a Press Release)
 Seasonal Adjustment: Not Seasonally Adjusted
 Frequency: Annual
 Units: Thousands of Persons
 Date Range: 1970-01-01 to 2011-01-01
 Last Updated: 2012-05-01 12:48 PM CDT
 Notes: Data for "Resident Population" are from estimates as of July 1. Data for 1970 and 1980 are annual census.

DATE	VALUE
1970-01-01	5.520
1971-01-01	5.400
1972-01-01	5.300
1973-01-01	5.300
1974-01-01	5.400
1975-01-01	5.500
1976-01-01	5.500
1977-01-01	5.400
1978-01-01	5.300
1979-01-01	5.400
1980-01-01	5.261
1981-01-01	5.197
1982-01-01	5.184
1983-01-01	5.228
1984-01-01	5.243
1985-01-01	5.202
1986-01-01	5.168
1987-01-01	5.161
1988-01-01	5.099
1989-01-01	5.032
1990-01-01	4.969
1991-01-01	4.998
1992-01-01	5.048
1993-01-01	5.155
1994-01-01	5.272
1995-01-01	5.390
1996-01-01	5.417
1997-01-01	5.447
1998-01-01	5.411
1999-01-01	5.510
2000-01-01	5.545
2001-01-01	5.537
2002-01-01	5.539
2003-01-01	5.519
2004-01-01	5.506
2005-01-01	5.559
2006-01-01	5.517
2007-01-01	5.609
2008-01-01	5.656
2009-01-01	5.737
2010-01-01	5.925
2011-01-01	5.978

Title: Resident Population in Codington County, SD
 Series ID: SDCODI9POP
 Source: U.S. Department of Commerce: Census Bureau
 Release: Annual Estimates of the Population for Counties (Not a Press Release)
 Seasonal Adjustment: Not Seasonally Adjusted
 Frequency: Annual
 Units: Thousands of Persons
 Date Range: 1970-01-01 to 2011-01-01
 Last Updated: 2012-05-01 12:48 PM CDT
 Notes: Data for "Resident Population" are from estimates as of July 1. Data for 1970 and 1980 are annual census.

DATE	VALUE
1970-01-01	19.140
1971-01-01	19.500
1972-01-01	19.400
1973-01-01	20.000
1974-01-01	20.200
1975-01-01	20.500
1976-01-01	21.000
1977-01-01	20.900
1978-01-01	20.800
1979-01-01	20.900
1980-01-01	20.885
1981-01-01	21.107
1982-01-01	21.480
1983-01-01	21.612
1984-01-01	21.759
1985-01-01	21.983
1986-01-01	22.092
1987-01-01	22.190
1988-01-01	22.181
1989-01-01	22.552
1990-01-01	22.793
1991-01-01	23.011
1992-01-01	23.411
1993-01-01	24.137
1994-01-01	24.736
1995-01-01	25.078
1996-01-01	25.410
1997-01-01	25.814
1998-01-01	25.855
1999-01-01	25.864
2000-01-01	25.930
2001-01-01	25.926
2002-01-01	25.905
2003-01-01	25.894
2004-01-01	25.861
2005-01-01	25.865
2006-01-01	26.144
2007-01-01	26.334
2008-01-01	26.249
2009-01-01	26.248
2010-01-01	27.241
2011-01-01	27.442

APPENDIX B
FINANCIAL INFORMATION

Sioux Rural Water System, Inc.

Rate Listing - As of August 1, 2012 Increase

RATE NO.	DESCRIPTION	MINIMUM	RATE STEPS		
01	Farm & Rural Residence	\$37.00	1 st	65,000	\$3.60
			2 nd	remainder	\$2.60
11	Seasonal & Pasture	\$324.00	1 st	24,000 included	
			2 nd	41,000	\$3.60
			3 rd	remainder	\$2.60
21	Small Towns	\$29.00	1 st	65,000	\$3.60
			2 nd	remainder	\$2.60
31	Churches-Annual	\$444.00	1 st	65,000	\$3.60
			2 nd	remainder	\$2.60
32	Churches with Parsonage	\$444.00	1 st	65,000	\$3.60
			2 nd	remainder	\$2.60
33	Township Halls	\$444.00	1 st	65,000	\$3.60
			2 nd	remainder	\$2.60

*Churches & Township Hall rates changed 1/1/12 to reflect 12 months of usage and no free water

SIOUX RURAL WATER SYSTEM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 1,528,792.19	\$ 1,453,354.66
Less: Operating Expenses	<u>871,529.99</u>	<u>825,557.48</u>
Gross Income From Operations	657,262.20	627,797.18
Less: General and Administrative Expenses	<u>382,971.68</u>	<u>361,712.10</u>
Net Income From Operations	274,290.52	266,085.08
Financial Income (Expense):		
Interest Income	9,136.62	7,718.99
Interest Expense	<u>(198,131.95)</u>	<u>(222,338.72)</u>
Net Financial Income (Expense)	<u>(188,995.33)</u>	<u>(214,619.73)</u>
Other Income (Expense):		
Miscellaneous Income	2,247.18	2,011.40
Gain (Loss) on Disposal of Fixed Assets	<u>9,500.00</u>	<u>-</u>
Net Other Income (Expense)	<u>11,747.18</u>	<u>2,011.40</u>
Net Income (Loss) for the Year	<u><u>\$ 97,042.37</u></u>	<u><u>\$ 53,476.75</u></u>
Depreciation Expense Included in the Above Statement	<u><u>\$ 267,832.67</u></u>	<u><u>\$ 271,274.07</u></u>

See the Notes To The Financial Statements.

SIOUX RURAL WATER SYSTEM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
AS OF DECEMBER 31, 2011

	<u>Total</u>	<u>Program</u>	<u>Management</u>
Compensation of Officers	\$ 133,849.25	\$ 133,849.25	\$ -
Other Salaries and Wages	143,737.13	143,737.13	
Pension Plan Contributions	4,600.00	4,600.00	
Other Employee Benefits	93,390.68	76,119.98	17,270.70
Payroll Taxes	36,362.23	36,362.23	
Accounting Fees	15,416.92	15,416.92	
Supplies	40,987.65	36,888.89	4,098.77
Telephone	11,072.60	11,072.60	
Postage and Shipping	3,243.12	3,243.12	
Equipment Rental and Maintenance	100,420.81	90,378.73	10,042.08
Travel	43,045.92	34,436.74	8,609.18
Conference, Conventions, and Meetings	7,081.50		7,081.50
Interest	198,131.95	198,131.95	
Depreciation	267,832.67	267,832.67	
Source of Supply	4,774.82	4,774.82	
Purchased Power	121,710.85	121,710.85	
Chemicals	86,198.41	86,198.41	
Water Treatment	3,323.16	3,323.16	
Outside Services - Meter Readers	3,764.72	3,764.72	
Bad Debts	1,806.04		1,806.04
Training	8,687.15		8,687.15
Director's Fees & Expenses	18,529.92		18,529.92
Insurance	22,535.64	22,535.64	
Miscellaneous	8,269.77		8,269.77
Newsletter	762.29	762.29	
Dues & Memberships	9,186.73		9,186.73
Damage Claim	200.00	200.00	
Uniforms & Clothing	774.42	774.42	
Use & Excise Taxes	1,104.16	1,104.16	
Contracted Services	22,319.55	22,319.55	
	<u>\$ 1,413,120.06</u>	<u>\$ 1,319,538.22</u>	<u>\$ 93,581.84</u>

See the Notes To The Financial Statements.

**STATEMENT OF GRANTS AND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	Grants			Memberships		
	Federal Grants	State Grants	Total Grants	Aid to Construction Service Lines	Retained Earnings (Deficit)	Total Membership Equity (Deficit)
<u>December 31, 2011</u>						
Balance, January 1, 2011	\$ 3,903,034.46	\$ 179,676.75	\$ 4,082,711.21	\$ 2,347.15	\$ 668,277.99	\$ 670,625.14
Net income					97,042.37	97,042.37
Depreciation applicable to grants and good intention and hookup fees	(131,721.96)		(131,721.96)			
Good intention and hookup fees						(131,721.96)
Balance, December 31, 2011	\$ 3,771,312.50	\$ 179,676.75	\$ 3,950,989.25	\$ 2,347.15	\$ 765,320.36	\$ 767,667.51
						\$ 4,718,656.76
<u>December 31, 2010</u>						
Balance, January 1, 2010	\$ 4,034,756.42	\$ 179,676.75	\$ 4,214,433.17	\$ 2,347.15	\$ 614,801.24	\$ 617,148.39
Net income					53,476.75	53,476.75
Depreciation applicable to grants and good intention and hookup fees	(131,721.96)		(131,721.96)			
Good intention and hookup fees						(131,721.96)
Balance, December 31, 2010	\$ 3,903,034.46	\$ 179,676.75	\$ 4,082,711.21	\$ 2,347.15	\$ 668,277.99	\$ 670,625.14
						\$ 4,753,336.35

See the Notes to the Financial Statements.

SIOUX RURAL WATER SYSTEM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Cash inflows		
From sale of goods and services	\$ 1,525,532.01	\$ 1,458,615.33
From interest income	9,136.62	7,718.99
From other income	2,247.18	2,011.40
Cash outflows		
To employees for wages	277,586.38	281,500.73
To government for taxes	53,632.93	56,931.42
To lenders for interest	201,532.96	226,615.77
To others for expenses	650,961.78	559,798.88
Cash flows from operating activities	<u>353,201.76</u>	<u>343,498.92</u>
Cash flows from investing activities		
Cash outflows		
To purchase utility, plant, & equipment	(151,974.51)	(77,256.81)
Investment in capital credits, other cooperatives	(2,087.91)	(6,062.55)
Cash flows from investing activities	<u>(154,062.42)</u>	<u>(83,319.36)</u>
Cash flows from financing activities		
Cash inflows		
Hook-up fees	-	-
Proceeds from new debt	2,010,000.00	-
Cash outflows		
To redeem long-term debt and capital leases	(2,171,963.31)	(209,833.60)
Cash flows from financing activities	<u>(161,963.31)</u>	<u>(209,833.60)</u>
Net increase (decrease) in cash	<u>37,176.03</u>	<u>50,345.96</u>
Cash at beginning of year	<u>674,290.90</u>	<u>623,944.94</u>
Cash at end of year	<u>\$ 711,466.93</u>	<u>\$ 674,290.90</u>

**RECONCILIATION OF NET INCOME TO NET CASH PROVIDED FROM
OPERATING ACTIVITIES**

Net income (loss)	<u>\$ 97,042.37</u>	<u>\$ 53,476.75</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	267,832.67	271,274.07
(Gain) Loss on Disposal of Fixed Assets	(9,500.00)	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,260.18)	5,260.67
(Increase) decrease in inventory	273.78	2,858.36
(Increase) decrease in prepaid expenses	(148.36)	(239.13)
Increase (decrease) in accounts payable	2,302.61	920.30
Increase (decrease) in interest and taxes payable	(3,401.01)	(4,277.05)
Increase (decrease) in other liabilities	2,059.88	14,224.95
Total adjustments	<u>256,159.39</u>	<u>290,022.17</u>
Net cash provided by operating activities	<u>\$ 353,201.76</u>	<u>\$ 343,498.92</u>

See the Notes to the Financial Statements.

SIoux RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

A. Nature of Operations:

Sioux Rural Water System, Inc. is a water distribution system. It was founded in 1973 for the purpose of providing a sufficient amount of quality water to members and towns in Hamlin, Codington, Deuel and Clark counties. The System's principal source of revenue is from the sale of water to its members.

B. Accounting Method:

The Organization reports its financial position and results of operations on the accrual basis of accounting. The accrual basis of accounting recognizes the effect of financial transactions in periods to which they relate rather than in periods during which cash may be exchanged in connection with financial transactions.

C. Concentration of Risk:

Concentration of risk includes customers in a local geographic area and the specialization of this system producing and distributing quality water.

D. Revenue Recognition:

Sioux Rural Water System Inc. bills its water users monthly based on that consumer's yearly average amount due. It recognizes the revenue when the consumer is billed.

E. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Accounts Receivable:

All are shown at gross amounts with the provision for doubtful accounts set at zero. The System provides credit in the normal course of its business to its customers and performs ongoing credit evaluation of those customers. It maintains allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trend, and other information. Credit losses, when realized, have been within the range of the System's expectation and historically have not been significant.

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

G. Property, Plant, and Equipment:

Major additions and improvements are charged to fixed assets at cost. The Organization depreciates property and equipment over the estimated economic useful life of the asset using the straight-line method of depreciation.

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Furniture & Fixtures	10 Years
Transportation Equipment	5 Years
Miscellaneous Tools and Equipment	10 Years
Machinery and Equipment	5-12 Years
Buildings, Pumps, and Reservoirs	35-40 Years
Distribution System	20-50 Years

Depreciation on assets acquired during the year is recorded using the month placed in service, and disposals, in the month of disposal.

Equipment acquired by lease is capitalized and depreciated in a manner similar to property and equipment acquired by direct purchase in conformity with FASB ASC 840-30-50-1 (formerly Statement of Financial Accounting Standards (SFAS) No. 13). Expenses for maintenance and repairs are charged to expense as incurred. Expenses for renewals and betterment that materially extend the useful life of the asset are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation is removed from the accounts. Resulting gains or losses are included and reported income for the year.

H. Inventory:

Inventories of materials and supplies are stated at average cost.

I. Fair Value:

The carrying amounts reflected in the balance sheets for cash, loans and notes payable approximate the respective fair values due to the short maturities of those instruments. The fair values for investments, receivables, and long-term debt, are based primarily on quoted market prices for those or similar instruments.

J. Accumulated Unpaid Vacation and Sick Pay:

An employee who has worked for the System less than one year will be eligible for one-half day vacation per month. After the first year of employment, the employee earns one day of paid vacation per month. Vacation will be allowed to accumulate to a maximum of 90 days; vacation time cannot exceed 90 days per year. An employee

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

will be credited with an extra day of vacation time for each additional year of employment commencing with the employee's eleventh year of employment.

Each employee will be credited with one-day sick leave per month, which may accumulate, but never to be more than 90 days. When an employee terminates employment due to normal retirement solely, the employee is entitled to a cash payment equivalent to 50% of earned sick leave, not to exceed 90 days.

As of December 31, 2011 and 2010 the following liabilities existed for accumulated unpaid leave balances calculated at the employees' December 31, 2011 and 2010 pay rates:

	<u>2011</u>	<u>2010</u>
Vacation Pay	\$75,509.30	\$70,823.64
Sick Pay	121,962.65	115,795.16

The financial statements reflect accrued vacation pay but they do not reflect accrued sick pay. These amounts do not include the employer's share of payroll deductions.

2. CASH DEPOSITS

The company maintains its cash balances in financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balances may exceed the limit.

3. RESTRICTED CASH AND TEMPORARY INVESTMENTS

The Farmers Home Administration requires the reserve account to have a balance of \$135,505 and \$435,111 at December 31, 2011 and 2010, respectively, to be reserved for the payment of their Rural Economic and Community Development loans. CoBank also requires a reserve balance of \$150,000 and \$0 at December 31, 2011 and 2010. The System has met these requirements. A breakdown of the restricted cash and temporary investments is as follows:

	<u>2011</u>	<u>2010</u>
SBM Certificates	\$42,864	\$42,864
CD – First Premier Bank	103,889	101,852
CD – Great Western Bank	0	102,750
CD – Reliabank	105,000	0
CD – Citizens State Bank	45,000	61,235
Money Mkt – 1 st Premier	<u>0</u>	<u>117,614</u>
	<u>\$296,753</u>	<u>\$426,315</u>

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

4. ACCOUNTS RECEIVABLE

Accounts receivable balances of the System, aged as of the dates of origination, are summarized below:

	<u>2011</u>	<u>2010</u>
Current, Less than 30 days	\$10,215	\$8,337
30-60 days	1,419	936
60-90 days	379	231
Over 90 days	<u>1,328</u>	<u>577</u>
Total	<u>\$13,341</u>	<u>\$10,081</u>

Management has estimated uncollectible accounts at zero.

5. PROPERTY, PLANT, AND EQUIPMENT

	<u>2011</u>	<u>2010</u>
Land and Land Rights	\$209,595	\$209,595
Furniture and Fixtures	85,912	83,542
Transportation Equipment	159,914	161,677
Miscellaneous Tools & Equipment	25,233	24,408
Machinery and Equipment	371,186	310,866
Buildings, Pumps, & Reservoirs	5,055,326	5,020,085
Distribution System	<u>9,825,588</u>	<u>9,790,296</u>
	\$15,732,754	\$15,600,469
Accumulated Depreciation	<u>7,777,660</u>	<u>7,407,295</u>
Total Property & Equipment	<u>\$7,955,094</u>	<u>\$8,193,174</u>

There are no restrictions in the use or disposal of property, plant, and equipment.

Depreciation expense for the years ended December 31, 2011 and 2010 amounted to \$267,832.67 and \$271,274.07, respectively.

6. MEMBERS' EQUITY

Members' equity includes good intention and hook-up fees that are not refundable. The System can convert these fees into membership fees and/or Capital Stock, but as of December 31, 2011 and 2010 had not opted to do so.

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

7. LONG-TERM DEBT

The following is a summary of long term debt:

	<u>2011</u>	<u>2010</u>
Farm Home Administration:		
The terms of the financing agreement call for payments of interest only on January 1, 1975, 1976, and 1977 and annual payments of \$128,656, including principal and annual interest at 5% beginning January 1, 1978 and thereafter until fully paid.	\$0	\$627,974
The terms of the financing agreement ESA Part 2 call for payments of interest only on February 12, 1977 and annual payments of \$39,663, including principal and annual interest at 5% beginning February 17, 1978, and thereafter until fully paid.	0	171,722
The terms of the financing agreement ESA Part 3 call for payments of interest only on January 1, 1979 and annual payments of \$23,508, including principal and annual interest at 5% beginning January 1, 1980, and thereafter until fully paid.	0	134,859
The terms of the financing agreement 91-06 call for payments of interest only on October 8, 1980 and 1981 and annual payments of \$15,324 including principal and annual interest at 5% beginning November 9, 1981, and thereafter until fully paid.	0	112,532
The terms of the financing agreement 91-07 call for payments of interest only on November 21, 1985 and 1986 and annual payments of \$14,761 including principal and annual interest at 7.125% beginning November 21, 1987 and thereafter until fully paid.	0	126,384

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
The terms of the financing agreement 91-09 call for payments of interest only on June 28, 1989 and 1990 and monthly payments of \$680, including principal and annual interest at 6.125% beginning June 21, 1990.	0	86,521
The terms of the financing agreement 91-11 call for payments of interest only on April 25, 1991 and monthly payments of \$1,836, including principal and annual interest at 6% beginning May 25, 1991.	0	250,694
The terms of the financial agreement 91-13 call for payments of interest only on April 25, 1991 and monthly payments of \$831, including principal and annual interest at 6% beginning May 25, 1991.	0	113,479
The terms of the financing agreement 91-14 call for payments of interest only on August 8, 1992 and monthly payments of \$2,103, including principal and annual interest at 8.75% beginning September 7, 1992.	0	293,538
The terms of the financing agreement 91-17 call for payments of interest only on August 8, 1992 and monthly payments of \$683, including principal and annual interest at 5.875% beginning September 7, 1992.	0	95,222
The terms of the financing agreement 91-18 call for payments of interest only on January 27, 1997 and monthly payments of \$2,104, including principal plus annual interest at 4.78% beginning February 27, 1997.	364,496	371,782

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
The terms of the financing agreement 91-20 call for payments of interest only on December 11, 2001 and monthly payments of \$5,265, including principal and annual interest at 5.00% beginning January 11, 2002.	962,831	977,471
The terms of the financing agreement 91-22 call for payments of interest only on December 11, 2001 and monthly payments of \$1,242, including principal plus annual interest at 5.00% beginning January 11, 2002.	227,121	230,575
The terms of the financing agreement 91-23 call for payment of interest only on April 12, 2007 and monthly payments of \$977, including principal plus annual interest at 4.25% beginning May 12, 2007.	211,446	214,122
The terms of the financing agreement 91-25 call for payment of interest only on December 8, 2009 and monthly payments of \$1,408, including principal plus annual interest at 4.50% beginning January 8, 2010.	303,846	306,992
The terms of the financing agreement 91-26 call for payment of interest only on March 27, 2010 and monthly payments of \$636, including principal plus annual interest at 4.50% beginning April 8, 2010	137,601	139,008
The terms of the financing agreement 002488337 call for payment variable monthly payments, including principal plus annual interest at 4.00% beginning May 20, 2011	942,468	0
The terms of the financing agreement 002488383 call for payment variable monthly payments, including principal plus annual interest at 5.24% beginning May 20, 2011	<u>941,102</u>	<u>0</u>
Total Debt	4,090,911	4,252,874
Less – Current Maturities	<u>231,870</u>	<u>220,810</u>
Long-Term Debt	<u>\$3,859,041</u>	<u>\$4,032,064</u>

SIOUX RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

The annual requirements to service all outstanding long-term debt as of December 31, 2011, including interest payments of \$2,913,151 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2012	231,870	189,222	421,092
2013	240,707	180,048	420,755
2014	251,342	169,310	420,652
2015	262,453	158,102	420,555
2016	353,735	143,158	496,893
2017 & Thereafter	<u>2,750,804</u>	<u>1,507,905</u>	<u>4,258,709</u>
Total	<u>\$4,090,911</u>	<u>\$2,347,745</u>	<u>\$6,438,656</u>

7. CAPITALIZED INTEREST

Interest costs charged to operations consist of the following:

	<u>2011</u>	<u>2010</u>
Interest Cost Incurred	\$198,132	\$222,339
Less: Capitalized Interest	<u>0</u>	<u>0</u>
--Construction		
Interest charged to operations	<u>\$198,132</u>	<u>\$222,339</u>

8. CASH AND CASH EQUIVALENTS

The Company recognizes as cash, currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit which do not have penalties or terms with them, which effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

The Company recognizes as cash equivalents, short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

9. CAPITALIZED LEASE

The Sioux Rural Water System, Inc. leased equipment from John Deere Industrial Products and Metro Leasing Company under a capital lease. The economic substance of the lease is that the Company is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the system's assets and liabilities.

SIoux RURAL WATER SYSTEM, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

The following is an analysis of the leased assets included in property and equipment:

	<u>2011</u>	<u>2010</u>
Utility, plants and equip.	\$148,699	\$148,699
Less accum. Depreciation	<u>(148,699)</u>	<u>(148,699)</u>
	<u>\$0</u>	<u>\$0</u>

10. FEDERAL INCOME TAX

In 1988 the Sioux Rural Water System, Inc. made application to be exempt from federal income tax, on September 22, 1988 the application was approved under section 501(c)(12) of the Internal Revenue Code as of January 1, 1988, with the stipulation that at least 85% of the system's total income be from receipts from its members. Accordingly, no provision for income taxes has been reflected in the financial statements.

11. UNCERTAIN TAX POSITIONS

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Exempt Organization Income Tax Returns (Form 990) for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

12. RETIREMENT PLAN

Sioux Rural Water System, Inc. gives their employees the option to be part of a SEP Retirement Plan. The amount to be withheld from the employee's check is determined by the employee and the employer contributes 2%. The plan is handled through ARM Securities.

The manager has a second retirement plan that was in place prior to the SEP Retirement Plan. Sioux Rural Water System, Inc. contributes \$250 every month on this plan through Northwestern Mutual Life.

13. CAPITAL CREDITS IN COOPERATIVES

The System is a member of various agricultural cooperative associations that retain a portion of current earnings, which are later repaid or "revolved" to the patrons in future years.

14. SUBSEQUENT EVENTS

The System has an investment with SBM Certificate Company. The SEC is investigating SBM, which caused the assets of the company to become frozen. In 2011 a settlement amount had been reached, however as of the release of these financial statements, the System still hasn't heard what the amount they will receive will be. Subsequent events were evaluated through January 30, 2012, which is the date the financials were available to be issued.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Sioux Rural Water System, Inc.

We have audited the financial statements of Sioux Rural Water System, Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated January 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux Rural Water System, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sioux Rural Water System, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Rural Water System, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
Brookings, South Dakota

January 30, 2012

SUPPLEMENTARY DATA

SIOUX RURAL WATER SYSTEM, INC.
SUPPLEMENTARY SCHEDULE OF THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Operating Revenues</u>		
Sales, consumers	\$ 1,351,830.61	\$ 1,273,273.75
Sales, wholesale	98,517.60	95,844.05
Sales, materials	21,502.27	25,741.41
Sales, late payment and reconnect fees	23,165.00	19,760.58
Labor Charges	12,570.71	17,464.51
Member Fee	2,700.00	2,478.59
Miscellaneous revenue	2,855.00	3,140.77
CRP Land Payment	15,651.00	15,651.00
Total Operating Revenues	\$ 1,528,792.19	\$ 1,453,354.66
<u>Operating Expenses</u>		
Source of Supply:		
Labor	\$ 33,910.25	\$ 36,049.47
Labor fringe benefits	6,015.16	6,232.97
Transportation	7,843.02	5,729.64
Other	4,774.82	10,611.22
General Operations Maintenance	79,695.26	57,650.68
Total Source of Supply	132,238.51	116,273.98
Construction:		
Labor	4,347.58	6,829.32
Labor fringe benefits	2,792.72	3,047.06
Transportation	2,345.83	2,424.96
Total Construction	9,486.13	12,301.34
Pumping:		
Labor	12,410.31	20,465.59
Labor fringe benefits	4,879.37	5,232.51
Transportation	4,559.01	3,970.62
Purchased power	121,710.85	108,824.81
Maintenance labor	13,514.78	5,498.33
Maintenance labor fringe benefits	3,692.26	2,965.63
Transportation	4,660.00	4,075.38
Supplies	9,617.48	9,634.22
Total Pumping	175,044.06	160,667.09
Water Treatment:		
Labor	37,066.31	33,996.63
Labor fringe benefits	6,141.15	6,080.35
Transportation	4,660.00	4,100.00
Chemicals	86,198.41	83,255.60
Contracted Service	14,828.43	5,492.73
Other	3,323.16	1,265.98
Total Water Treatment	152,217.46	134,191.29

See the Notes to the Financial Statements.

SIoux RURAL WATER SYSTEM, INC.
SUPPLEMENTARY SCHEDULE OF THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Distribution:		
Labor	21,885.00	25,410.63
Labor fringe benefits	5,545.86	5,873.75
Transportation	4,640.12	3,583.83
Repairs and supplies	39,423.69	41,188.41
Other	26,998.98	26,318.15
Total Distribution	<u>98,493.65</u>	<u>102,374.77</u>
Metering:		
Labor	5,471.38	1,648.65
Labor fringe benefits	2,985.78	2,549.52
Transportation	4,248.62	4,146.01
Repairs and supplies	19,747.01	16,561.12
Outside services - meter readers	3,764.72	3,569.64
Total Metering	<u>36,217.51</u>	<u>28,474.94</u>
Depreciation	<u>267,832.67</u>	<u>271,274.07</u>
Total Operating Expenses	<u>\$ 871,529.99</u>	<u>\$ 825,557.48</u>
<u>General and Administrative Expenses</u>		
Customer Accounts and Collection Services:		
Labor	\$ 5,899.72	\$ 8,772.19
Labor fringe benefits	2,938.83	3,277.03
Transportation	5,924.37	8,222.16
Bad debt	1,806.04	1,145.83
Administrative salaries	133,849.25	136,657.88
Administrative fringe benefits	17,270.70	20,598.01
Retirement plan	4,600.00	3,000.00
Transportation	4,164.95	3,095.19
Directors' fees and expenses	18,529.92	16,483.24
Annual meeting	7,081.50	5,052.76
Insurance	22,535.64	22,323.87
Employee health insurance	76,119.98	64,793.05
Office supplies	4,156.79	4,270.40
Outside services, legal and audit	15,416.92	12,322.23
Telephone	11,072.60	9,830.12
Miscellaneous	8,269.77	6,440.83
Newsletter	762.29	465.86
Dues and memberships	9,186.73	5,704.72
Training, fringe benefits and trans.	8,687.15	6,380.23
Rent	20.00	-
Postage	3,243.12	2,856.79
Damage claim	200.00	230.00
Uniforms and Clothing	774.42	782.60
Repairs - general	958.54	2,267.79
South Dakota state use tax	88.59	55.93
Contracted services - Deuel County	7,491.12	7,484.20
Excise tax	1,015.57	996.36
Printing, office and supplies	214.40	956.20
Training Expense:		
Labor	9,231.80	6,172.04
Labor fringe benefits	1,371.10	1,074.59
Transportation	89.87	-
Total General and Admin Expenses	<u>\$ 382,971.68</u>	<u>\$ 361,712.10</u>

See the Notes to the Financial Statements.

SIOUX RURAL WATER SYSTEM, INC.
RUS REPORT
FOR THE 12 MONTHS ENDING DECEMBER 31, 2011

	CURR BUDGET	THIS MONTH	CURR Y-T-D	Y-T-D BUDGET	PRIOR Y-T-D
OPERATING INCOME					
RURAL SALES	1,222,000.00	102,621.10	1,290,781.76	1,222,000.00	1,217,582.55
SMALL TOWN & LAKE HOMES	40,000.00	3,398.80	42,612.45	40,000.00	39,977.75
SEASONAL	16,000.00	622.80	18,436.40	16,000.00	15,713.45
BULK PURCHASERS	100,000.00	6,917.30	98,517.60	100,000.00	95,844.05
INTEREST & MISCELLANEOUS	89,500.00	2,088.23	87,422.04	89,500.00	91,505.40
HOOKUP FEES	2,500.00	225.00	2,700.00	2,500.00	2,478.59
TOTAL INCOME	1,470,000.00	115,852.83	1,520,470.25	1,470,000.00	1,483,101.79
OPERATING EXPENSES - ADMINISTRATIVE					
SALARY, WAGES, BENEFITS	97,000.00	10,089.30	90,672.82	97,000.00	95,950.78
TRANSPORTATION	7,000.00	1,495.06	7,200.25	7,000.00	7,239.35
SYSTEM INSURANCE	89,000.00	8,839.64	98,655.62	89,000.00	87,116.92
UTILITIES	5,500.00	355.90	5,536.30	5,500.00	4,932.15
PROFESSIONAL FEES	8,000.00	520.65	10,371.32	8,000.00	7,276.63
DIRECTORS FEES & EXPENSES	20,000.00	3,987.73	18,529.92	20,000.00	16,483.24
AUDIT	5,500.00	.00	5,045.60	5,500.00	5,045.60
STATE ASSOCIATION DUES	7,500.00	1,686.38	9,188.73	7,500.00	6,704.72
UNCOLLECTABLE ACCOUNTS	1,000.00	228.22	1,806.04	1,000.00	1,145.83
MISCELLANEOUS	18,000.00	921.90	19,802.46	18,000.00	17,187.73
SUBTOTAL ADMINISTRATIVE	258,500.00	28,124.76	286,807.06	258,500.00	248,082.95
OPERATING EXPENSES - OFFICE					
SALARY, WAGES, BENEFITS	87,000.00	9,442.52	84,549.87	87,000.00	83,663.88
TRANSPORTATION	1,000.00	30.00	1,275.00	1,000.00	600.00
CONTRACTED SERVICES	7,500.00	364.63	7,491.12	7,500.00	7,484.20
OFFICE SUPPLIES & MATERIALS	5,000.00	1,271.77	4,156.79	5,000.00	4,270.40
UTILITIES	5,500.00	355.90	5,536.30	5,500.00	4,932.15
MISCELLANEOUS	11,000.00	1,619.17	11,472.89	11,000.00	9,297.62
SUBTOTAL OFFICE	117,000.00	13,083.99	114,481.97	117,000.00	110,248.25
TOTAL ADMINISTRATIVE	375,500.00	41,208.75	381,289.03	375,500.00	358,331.20
OPERATIONAL					
SALARY, WAGES, BENEFITS	168,000.00	16,398.67	161,436.50	168,000.00	162,469.58
TRANSPORTATION	35,000.00	5,200.00	34,660.54	35,000.00	31,508.44
O & M DISTRIBUTION	87,000.00	8,875.76	86,123.48	87,000.00	84,125.96
O & M PLANT	155,000.00	21,079.69	184,164.88	155,000.00	183,430.70
CONTRACTED MAINTENANCE	6,000.00	330.13	14,923.43	6,000.00	5,397.73
UTILITIES	110,000.00	20,236.73	119,179.31	110,000.00	108,824.81
TOTAL OPERATIONAL	561,000.00	72,120.88	600,488.14	561,000.00	555,757.22
CAPITAL IMPROVEMENT (EQ.)	.00	36,920.00	36,920.00	.00	.00
LOAN PAYMENTS - RUS	435,111.00	34,976.26	401,172.54	435,111.00	432,567.00
RESERVE - RUS	3,562.00	.00	3,562.00	3,562.00	43,132.92
FUNDED DEPRECIATION - RUS	20,000.00	1,666.67	20,000.00	20,000.00	67,999.92
TOTAL EXPENSES	1,395,173.00	186,892.36	1,443,431.77	1,395,173.00	1,457,788.26
NET INCOME / (LOSS)	74,827.00	(71,039.53)	77,038.48	74,827.00	5,313.53

SIOUX RURAL WATER SYSTEM, INC.
RUS REPORT
FOR THE 6 MONTHS ENDING JUNE 30, 2012

	CURR BUDGET	THIS MONTH	CURR Y-T-D	Y-T-D BUDGET	PRIOR Y-T-D
OPERATING INCOME					
RURAL SALES	1,299,000.00	120,105.28	657,927.35	649,500.00	629,066.43
SMALL TOWN & LAKE HOMES	43,000.00	3,847.20	21,145.32	21,500.00	20,907.95
SEASONAL	18,000.00	1,820.00	17,078.70	9,000.00	14,499.70
BULK PURCHASERS	99,000.00	10,348.30	50,612.40	49,500.00	44,857.25
INTEREST & MISCELLANEOUS	85,000.00	5,216.83	41,937.79	42,500.00	597.02
HOOKUP FEES	2,500.00	676.49	3,782.28	1,250.00	1,175.00
TOTAL INCOME	1,546,500.00	141,813.80	792,483.82	773,250.00	711,103.35
OPERATING EXPENSES - ADMINISTRATIVE					
SALARY, WAGES, BENEFITS	98,000.00	7,189.08	40,899.01	49,000.00	44,793.30
TRANSPORTATION	7,000.00	500.00	2,266.59	3,500.00	1,901.34
SYSTEM INSURANCE	90,000.00	8,631.62	52,298.43	45,000.00	44,345.18
UTILITIES	6,000.00	339.63	2,040.58	3,000.00	2,414.73
PROFESSIONAL FEES	11,000.00	1,049.43	4,941.08	5,500.00	4,097.60
DIRECTORS FEES & EXPENSES	25,000.00	.00	6,847.35	12,500.00	8,780.74
AUDIT	5,900.00	.00	5,543.80	2,950.00	5,045.60
STATE ASSOCIATION DUES	7,500.00	1,981.36	4,556.42	3,750.00	3,866.00
UNCOLLECTABLE ACCOUNTS	1,500.00	329.14	533.75	750.00	908.11
MISCELLANEOUS	22,000.00	5,736.03	12,791.62	11,000.00	15,381.97
SUBTOTAL ADMINISTRATIVE	273,900.00	25,756.29	132,718.63	136,950.00	131,534.57
OPERATING EXPENSES - OFFICE					
SALARY, WAGES, BENEFITS	88,000.00	7,642.93	43,721.88	44,000.00	38,940.93
TRANSPORTATION	1,500.00	30.00	180.00	750.00	1,115.00
CONTRACTED SERVICES	7,500.00	739.03	4,243.34	3,750.00	4,243.34
OFFICE SUPPLIES & MATERIALS	5,000.00	480.75	1,112.97	2,500.00	1,400.42
UTILITIES	6,000.00	339.63	2,040.58	3,000.00	2,414.73
MISCELLANEOUS	12,000.00	482.00	4,805.29	6,000.00	5,515.25
SUBTOTAL OFFICE	120,000.00	9,714.34	56,104.06	60,000.00	53,629.67
TOTAL ADMINISTRATIVE	393,900.00	35,470.63	188,822.68	196,950.00	185,164.23
OPERATIONAL					
SALARY, WAGES, BENEFITS	197,000.00	16,126.10	81,968.99	98,500.00	73,767.16
TRANSPORTATION	40,000.00	3,704.97	14,037.43	20,000.00	10,558.39
O & M DISTRIBUTION	87,000.00	4,596.85	27,644.68	43,500.00	35,451.50
O & M PLANT	175,000.00	23,440.52	98,773.64	87,500.00	85,073.95
CONTRACTED MAINTENANCE	7,000.00	33.35	955.81	3,500.00	5,483.54
UTILITIES	112,000.00	5,127.77	52,210.85	56,000.00	49,260.05
TOTAL OPERATIONAL	618,000.00	53,029.56	275,591.20	309,000.00	259,594.59
CAPITAL IMPROVEMENT	10,000.00	.00	9,101.04	5,000.00	.00
LOAN PAYMENTS - RUS	421,584.00	35,209.27	210,564.61	210,792.00	190,576.88
RESERVE - RUS	34,826.00	2,902.12	17,412.72	17,413.00	3,562.00
FUNDED DEPRECIATION - RUS	30,471.00	2,539.25	15,235.50	15,235.50	10,000.02
TOTAL EXPENSES	1,608,781.00	129,150.83	716,727.75	754,390.50	648,897.72
NET INCOME / (LOSS)	37,719.00	12,662.97	75,756.07	18,859.50	62,205.63

TABLE 3
Sioux Rural Water System
Short Term Capital Improvements Schedule

Updated 12/15/11

Item	Annual Inflator	2011 Base Value	2010	2011	2012	2013	2014	2015
Service Truck 1 (#26)	2.0%	22,000				23,346		
Service Truck 2 (#24)	2.0%	22,000	32,000				23,813	
Service Truck 3 (#28)	2.0%	22,000		18,000				24,289
Service Truck 4 (#22)	2.0%	22,000			13,471			
High Service Pump & Motor	2.0%	10,000	10,000				0	
Elevated Tank G Paint	2.0%	25,000						
Elevated Tank F Paint	2.0%	25,000						10,000
Elevated Tank E Paint	2.0%	25,000				25,000		
Elevated Tank A Paint	2.0%	25,000						
Elevated Tank B Paint	2.0%	25,000	26,000		10,000			
Telemetry Master	2.0%	35,000					8,000	
Telemetry Remotes	2.0%	24,000						
Well Replace/Explore	2.0%	5,000			5,000			
Office Computers	2.0%	2,000		2,000	2,000	3,000		6,000
Annual Totals:			68,000	20,000	30,471	51,346	31,813	40,289

Pickup, & Tower Work	Pickup, Tower work, Office Computers, Laptop	Pickup, Tower A work, Well exploration, Manager computer	Pickup, Towers, Manager Computer	Pickup, Sioux HS4, Telemetry & Controls	Pickup, Towers, Office Computers
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These capital improvements are items that would be planned and put into our yearly budget, we would not seek financing for these unless an immediate fix for something was needed.

APPENDIX C DISCOUNT AND INFLATION RATE

Mr. Heath Thompson
Page Two
November 4, 2014

The City of Kransburg has inquired of Sioux Rural Water System regarding the possibility of individual meter service to the City. The City is currently served by a bulk meter from Sioux Rural Water System and the City owns and maintains their own distribution system. It is recommended that the entire distribution system within the City be replaced and that it be owned and operated by Sioux Rural Water System with individual meter service to each of the customers within the City limits. The new distribution piping would include a mile of 6 inch pipe to the west of town to provide better service to the City and it also includes a primary 6 inch water main through the middle of town with 3 inch branch lines. Individual meter pits would be provided at each customer location.

Within the past year and a half, it has become clearly apparent that the Sioux SCADA system needs to be replaced. The existing system consists of original control boards and other equipment which can no longer be repaired. OEM and replacement parts are no longer available. The number of control suppliers able to service the system has become very limited. The SCADA system replacement project consists of the 13 stations within the Sioux system. New control boards and human machine interfaces will be provided at each station along with the required radio and telemetry equipment.

Drawings Sheets 1 and 2 along with Table 1 show the distribution improvements and associated cost estimate. The current northeast part of the system operates with a small booster at Tower G and Booster H north of Tower G. As part of the improvements it is recommended that a new booster station be constructed at the Tower G location and that Booster H be removed from service.

Table 2 provides a cost estimate for the well field improvements.

Drawing Sheet 3 and Table 3 indicate the distribution improvements for the individual service to the City of Kransburg and the associated cost.

Table 4 provides a cost estimate for the SCADA system replacement.

Table 5 provides an overall project cost summary.

Sincerely,

DGR Engineering



Darin Schriever, P.E.

DLS:aed